

VILLAGE OF SOUTH ROCKWOOD
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2008

VILLAGE OF SOUTH ROCKWOOD

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Independent Auditor's Report

Village Council
Village of South Rockwood
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Rockwood, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 43 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of South Rockwood

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of South Rockwood, Monroe County, Michigan basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Cooley Hahl Wohlgemuth & Caulton".

October 17, 2008

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis Year Ended June 30, 2008

This section of the Village of South Rockwood's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Capital Projects Fund, Internal Service Fund, and Proprietary Funds.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of South Rockwood financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund, the Major Street Fund, the Local Street Fund, the Riverside Cemetery Fund, the Capital Projects Fund, the Sewer and Water Funds, and the Equipment Fund. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2008*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two government-wide statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The government-wide financial statements of the Village are divided into two categories:

Governmental activities – Most of the Village's basic services are included here, such as the police, inspection, planning and zoning, public works, sanitation and recycling, recreation, streets, cemetery and general administration. Property taxes, state-shared revenue and charges for services provide most of the funding.

Business-type activities – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are treated as business-type activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 13-22) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental and proprietary, use different accounting approaches as described below:

Governmental funds - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 15 and 18.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis Year Ended June 30, 2008

Fund Financial Statements (Concluded)

Proprietary fund – Proprietary Funds are used to account for services provided by the Village where the Village charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Village maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water services. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2008 and 2007:

Table 1:

Comparative Statement of Net Assets June 30,

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$1,000,818	\$1,240,130	\$318,608	\$380,885	\$1,319,426	\$1,621,015
Capital assets, net	713,117	544,254	4,873,602	4,926,443	5,586,719	5,470,697
Total Assets	1,713,935	1,784,384	5,192,210	5,307,328	6,906,145	7,091,712
Current and other liabilities	88,299	124,329	138,486	127,720	226,785	252,049
Long-term liabilities	142,086	97,319	1,634,995	1,750,598	1,777,081	1,847,917
Total Liabilities	230,385	221,648	1,773,481	1,878,318	2,003,866	2,099,966
Net Assets						
Invested in capital						
assets, net of related debt	556,804	443,839	3,123,004	3,066,256	3,679,808	3,510,095
Restricted	561,051	662,086	0	0	561,051	662,086
Unrestricted	365,695	456,811	295,725	362,754	661,420	819,565
Total Net Assets	\$1,483,550	\$1,562,736	\$3,418,729	\$3,429,010	\$4,902,279	\$4,991,746

The Village's combined net assets of \$4.9 million decreased 2%, approximately \$89,000 from 2007. Business-type activities (the Water and Sewer Funds) account for 70% of the Village's net asset balance. Unrestricted net assets totaled \$661,420, which is a decrease of \$158,145.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2008*

Government-Wide Financial Analysis – Continued

Table 2:

Comparative Statement of Changes in Net Assets Year Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$360,479	\$300,990	\$338,251	\$330,241	\$698,730	\$631,231
Federal, state and local grants	107,746	109,304	0	0	107,746	109,304
	468,225	410,294	338,251	330,241	806,476	740,535
General revenues						
Property taxes	595,279	551,834	0	0	595,279	551,834
State grants	107,901	108,498	0	0	107,901	108,498
Other general revenues and transfers out	(79,295)	(45,227)	159,812	165,436	80,517	120,209
	623,885	615,105	159,812	165,436	783,697	780,541
Total Revenues	1,092,110	1,025,399	498,063	495,677	1,590,173	1,521,076
Functions/Program Expenses						
Legislative	11,164	6,990	0	0	11,164	6,990
General government	278,583	241,816	0	0	278,583	241,816
Public safety	392,272	280,655	0	0	392,272	280,655
Public works	375,854	322,337	0	0	375,854	322,337
Recreation and cultural	75,328	83,291	0	0	75,328	83,291
Other	38,095	33,822	0	0	38,095	33,822
Sewer	0	0	258,669	233,167	258,669	233,167
Water	0	0	249,675	256,903	249,675	256,903
Total Expenses	1,171,296	968,911	508,344	490,070	1,679,640	1,458,981
Increase (Decrease) in Net Assets	<u>(\$79,186)</u>	<u>\$56,488</u>	<u>(\$10,281)</u>	<u>\$5,607</u>	<u>(\$89,467)</u>	<u>\$62,095</u>

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2008*

Government-Wide Financial Analysis - Concluded

The Village's governmental activities had a decrease of \$79,186 in net assets. Total revenue increased 6.5%, approximately \$67,000, while total expenses increased 20.8%, approximately \$202,000. The business-type activities had total expenses of \$508,344 and revenue of \$498,063, decreasing net assets by \$10,281. The Water and Sewer Funds are financed by charges to Village customers.

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of South Rockwood is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$891,796 which is a decrease of \$182,278 from last year. The changes by major funds are as follows:

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Riverside Cemetery Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund balances -						
Beginning of Year	\$394,000	\$219,735	\$230,400	\$208,140	\$21,199	\$1,074,074
Increase (decrease)	(81,494)	15,779	(37,230)	(79,660)	327	(182,278)
Fund balances -						
End of year	<u>\$313,106</u>	<u>\$235,514</u>	<u>\$193,170</u>	<u>\$128,480</u>	<u>\$21,526</u>	<u>\$ 891,796</u>

As indicated below, the General Fund's revenue decreased 3.3% and expenses increased 0.5%.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
Revenues			
Property taxes	\$595,279	\$551,834	7.9 %
Licenses and permits	49,036	51,596	(5.0)%
State grants	113,928	114,387	(0.4)%
Charges for services	55,329	54,501	1.5 %
Fines and forfeits	60,835	20,925	190.7 %
Interest	13,237	24,548	(46.1)%
Other	88,866	107,528	(17.4)%
Proceeds from capital leases	-	79,213	(100)%
Operating transfers in	-	5,558	(100)%
Total Revenues	<u>\$976,510</u>	<u>\$1,010,120</u>	(3.3)%

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2008*

Fund Financial Analysis – Concluded

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
Expenditures			
Legislative	\$ 11,164	\$ 6,990	59.7 %
General government	259,776	268,747	(3.3)%
Public safety	399,182	392,321	1.7 %
Public works	146,167	137,646	6.2 %
Recreation and cultural	70,320	88,356	(20.4)%
Other	38,095	33,822	12.6 %
Operating transfers out	133,300	124,783	6.8 %
Total Expenditures	<u>\$1,058,004</u>	<u>\$1,052,665</u>	0.5 %

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues – The original budget was amended from \$938,006 to \$933,973. Several factors impact the planning of the General Fund budget. The Village relies heavily on property taxes and state shared revenue to fund General Fund expenditures. These two revenues account for 75% of the budgeted revenue.

Expenditures – The original budget was amended from \$1,202,862 to \$1,198,829. The Village budgeted a fund balance decrease of \$398,156. The actual result was a fund balance decrease of \$81,494.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the Village had \$7,322,654 invested in a broad range of capital assets, including land, land improvements, building and building improvements, machinery and equipment, vehicles, roads, and sewer and water assets. This amount represents an increase of \$261,525 net of deletions from last year. This year's major additions included a Sterling dump truck, playground equipment, Village Hall improvements, and water main improvements. Depreciation for this year totaled \$190,510. Detailed information regarding capital assets is included in Note 7 to the Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis Year Ended June 30, 2008

Capital Assets and Debt Administration (Concluded)

Debt

At June 30, 2008, the Village had debt totaling \$1,952,717. During the year, the Village financed a new dump truck through Ford Motor Credit. Details regarding debt are included in Note 8 to the financial statements.

Development of the 2008-09 Fiscal Year Budget

Our elected officials considered many factors when setting the Village's 2008-09 fiscal year budget. In developing the 2008-09 General Fund budget, the Village expects revenues of \$995,982. Revenues were increased for property taxes and fines. Expenditures for 2008-09 were budgeted at \$1,228,604, an increase of approximately \$29,775 over the 2007-08 year mainly due to increases in salaries, health insurance, and capital outlay.

Contacting the Village of South Rockwood

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of South Rockwood, P.O. Box 85, South Rockwood, MI 48179.

VILLAGE OF SOUTH ROCKWOOD

Statement of Net Assets *June 30, 2008*

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$925,991	\$209,527	\$1,135,518
Accounts/taxes receivable	23,615	109,581	133,196
Due from other governmental units	34,194	0	34,194
Internal balances	5,360	(5,360)	0
Prepaid expenses	11,658	0	11,658
Depreciable capital assets, net	713,117	4,873,602	5,586,719
Connection fees receivable - noncurrent	0	4,860	4,860
Total Assets	1,713,935	5,192,210	6,906,145
Liabilities			
Accounts payable	5,815	12,262	18,077
Accrued and other liabilities	22,451	10,621	33,072
Long-term liabilities:			
Due within one year	60,031	115,603	175,634
Due in more than one year	142,088	1,634,995	1,777,083
Total Liabilities	230,385	1,773,481	2,003,866
Net Assets			
Invested in capital assets, net of related debt	556,804	3,123,004	3,679,808
Restricted for drug enforcement/education	3,887	0	3,887
Restricted for highways and streets	428,684	0	428,684
Restricted for cemetery	128,480	0	128,480
Unrestricted	365,695	295,725	661,420
Total Net Assets	\$1,483,550	\$3,418,729	\$4,902,279

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

Statement of Activities Year Ended June 30, 2008

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government -			
Governmental activities:			
Legislative	\$11,164	\$0	\$0
General government	278,583	92,025	0
Public safety	392,272	109,871	1,236
Public works	375,854	132,950	106,510
Recreation and cultural	75,328	25,633	0
Other	38,095	0	0
Total Governmental Activities	1,171,296	360,479	107,746
Business-type activities:			
Sewer	258,669	146,224	0
Water	249,675	192,027	0
Total business type activities	508,344	338,251	0
Total primary government	\$1,679,640	\$698,730	\$107,746

General Revenues:

Property taxes
 State grants
 Debt service and connection charges
 Interest and investment earnings
 Gain on sale of capital asset
 Other
 Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets Primary Government		
Governmental Activities	Business-type Activities	Total
(\$11,164)	\$0	(\$11,164)
(186,558)	0	(186,558)
(281,165)	0	(281,165)
(136,394)	0	(136,394)
(49,695)	0	(49,695)
(38,095)	0	(38,095)
(703,071)	0	(703,071)
0	(112,445)	(112,445)
0	(57,648)	(57,648)
0	(170,093)	(170,093)
(703,071)	(170,093)	(873,164)
595,279	0	595,279
107,901	0	107,901
0	26,624	26,624
32,493	4,888	37,381
11,000	0	11,000
5,512	0	5,512
(128,300)	128,300	0
623,885	159,812	783,697
(79,186)	(10,281)	(89,467)
1,562,736	3,429,010	4,991,746
\$1,483,550	\$3,418,729	\$4,902,279

VILLAGE OF SOUTH ROCKWOOD

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Special Revenue Funds		
		Major Street Fund	Local Street Fund	Riverside Cemetery Fund
Assets				
Cash and investments	\$265,202	\$237,543	\$194,397	\$134,236
Accounts/taxes receivable	23,615	0	0	0
Due from other governmental units	34,194	0	0	0
Due from other funds	12,930	0	0	0
Prepaid expense	11,658	0	0	0
Total Assets	\$347,599	\$237,543	\$194,397	\$134,236
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$5,815	\$0	\$0	\$0
Due to other funds	6,227	2,029	1,227	5,756
Escrow accounts	22,451	0	0	0
Total Liabilities	34,493	2,029	1,227	5,756
Fund Balances				
Reserved for prepaid expenses	11,658	0	0	0
Reserved for drug enforcement/education	3,887	0	0	0
Unreserved:				
Designated for future projects	214,620	0	0	0
Undesignated, reported in:				
General Fund	82,941	0	0	0
Special Revenue Funds	0	235,514	193,170	128,480
Capital Projects Fund	0	0	0	0
Total Fund Balances	313,106	235,514	193,170	128,480
Total Liabilities and Fund Balances	\$347,599	\$237,543	\$194,397	\$134,236

See accompanying notes to the basic financial statements.

Capital Projects Fund	Total Governmental Funds
\$21,526	\$852,904
0	23,615
0	34,194
0	12,930
0	11,658
<u>\$21,526</u>	<u>\$935,301</u>
\$0	\$5,815
0	15,239
0	22,451
0	43,505
0	11,658
0	3,887
0	214,620
0	82,941
0	557,164
21,526	21,526
<u>21,526</u>	<u>891,796</u>
<u>\$21,526</u>	<u>\$935,301</u>

VILLAGE OF SOUTH ROCKWOOD

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended June 30, 2008*

Total Fund Balances - Governmental Funds		\$891,796
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$798,418	
Accumulated depreciation	<u>(279,220)</u>	519,198
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Obligations under capital lease	(29,843)	
Compensated absences	<u>(45,806)</u>	(75,649)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		<u>148,205</u>
Total Net Assets - Governmental Activities		<u>\$1,483,550</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

		Special Revenue Funds		
	General Fund	Major Street Fund	Local Street Fund	Riverside Cemetery Fund
Revenues				
Taxes	\$595,279	\$0	\$0	\$0
Licenses and permits	49,036	0	0	0
State grants	113,928	71,520	30,199	0
Charges for services	55,329	0	0	34,225
Fines and forfeits	60,835	0	0	0
Interest/investment income	13,237	5,710	4,836	6,941
Other revenue	88,866	0	0	80
Total Revenues	976,510	77,230	35,035	41,246
Expenditures				
Current Operating:				
Legislative	11,164	0	0	0
General government	259,776	0	0	120,906
Public safety	399,182	0	0	0
Public works	146,167	51,451	87,265	0
Recreation and cultural	70,320	0	0	0
Other	38,095	0	0	0
Total Expenditures	924,704	51,451	87,265	120,906
Excess (Deficiency) of Revenues Over Expenditures	51,806	25,779	(52,230)	(79,660)
Other Financing Sources (Uses)				
Operating transfers in	0	0	15,000	0
Operating transfers out	(133,300)	(10,000)	0	0
Total Other Financing Sources (Uses)	(133,300)	(10,000)	15,000	0
Net Change in Fund Balances	(81,494)	15,779	(37,230)	(79,660)
Fund Balances - Beginning of year	394,600	219,735	230,400	208,140
Fund Balances - End of year	\$313,106	\$235,514	\$193,170	\$128,480

See accompanying notes to the basic financial statements.

Capital Projects Fund	Total Governmental Funds
\$0	\$595,279
0	49,036
0	215,647
0	89,554
0	60,835
327	31,051
0	88,946
327	1,130,348
0	11,164
0	380,682
0	399,182
0	284,883
0	70,320
0	38,095
0	1,184,326
327	(53,978)
0	15,000
0	(143,300)
0	(128,300)
327	(182,278)
21,199	1,074,074
\$21,526	\$891,796

VILLAGE OF SOUTH ROCKWOOD

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008*

Total Net Change in Fund Balances - Governmental Funds (\$182,278)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense	(\$49,780)	
Capital outlay	<u>155,155</u>	105,375

Increases in the liability for compensated absences are reported as an
expenditure in the statement of activities, but not in the government
funds. (5,893)

Repayments of capital lease principal is an expenditure in the governmental
funds but not in the statement of activities (where it reduces long-term debt). 21,422

Internal Service Funds are used by management to charge the costs of
certain activities to individual funds. The net (expense) of the
Internal Service Fund is reported with governmental activities. (17,812)

Change in Net Assets of Governmental Activities (\$79,186)

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds Statement of Net Assets June 30, 2008

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer	Water	Total	Equipment Fund
Assets				
Current Assets:				
Cash	\$117,537	\$91,990	\$209,527	\$73,087
Receivables	52,378	57,203	109,581	0
Due from other funds	4,782	0	4,782	16,244
Total Current Assets	<u>174,697</u>	<u>149,193</u>	<u>323,890</u>	<u>89,331</u>
Capital Assets:	3,169,100	2,858,865	6,027,965	496,271
Less: Allowance for depreciation	(729,288)	(425,075)	(1,154,363)	(302,352)
Net Capital Assets	<u>2,439,812</u>	<u>2,433,790</u>	<u>4,873,602</u>	<u>193,919</u>
Other Assets:				
Connection fees receivable - noncurrent	<u>4,860</u>	<u>0</u>	<u>4,860</u>	<u>0</u>
Total Assets	<u>2,619,369</u>	<u>2,582,983</u>	<u>5,202,352</u>	<u>283,250</u>
Liabilities				
Current Liabilities:				
Accounts payable	6,107	6,155	12,262	0
Accrued interest payable	3,027	7,594	10,621	0
Due to other funds	61	10,081	10,142	8,575
Current portion of long-term debt	<u>45,603</u>	<u>70,000</u>	<u>115,603</u>	<u>30,885</u>
Total Current Liabilities	<u>54,798</u>	<u>93,830</u>	<u>148,628</u>	<u>39,460</u>
Noncurrent Liabilities:				
Long-term debt-net of current portion	<u>489,995</u>	<u>1,145,000</u>	<u>1,634,995</u>	<u>95,585</u>
Total Liabilities	<u>544,793</u>	<u>1,238,830</u>	<u>1,783,623</u>	<u>135,045</u>
Net Assets				
Invested in capital assets, net of related debt	1,904,214	1,218,790	3,123,004	67,449
Unrestricted	<u>170,362</u>	<u>125,363</u>	<u>295,725</u>	<u>80,756</u>
Total Net Assets	<u>\$2,074,576</u>	<u>\$1,344,153</u>	<u>\$3,418,729</u>	<u>\$148,205</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2008

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer	Water	Total	Equipment Fund
Operating Revenues				
Charges for services	\$142,888	\$183,953	\$326,841	\$77,621
Penalties	3,286	4,737	8,023	0
Tapping fees	0	2,500	2,500	0
Other revenue	50	837	887	0
Total Operating Revenues	146,224	192,027	338,251	77,621
Operating Expenses				
Water purchase	0	72,971	72,971	0
Processing of sewage	87,328	0	87,328	0
Operation and maintenance	59,763	55,766	115,529	52,121
Office and Administration	50,892	42,667	93,559	6,000
Depreciation	48,392	46,547	94,939	45,791
Total Operating Expenses	246,375	217,951	464,326	103,912
Operating Income (Loss)	(100,151)	(25,924)	(126,075)	(26,291)
Non-operating Revenues (Expenses)				
Debt service charge	17,793	6,331	24,124	0
Connection fees	2,500	0	2,500	0
Gain on sale of equipment	0	0	0	11,000
Interest income	2,913	1,975	4,888	1,441
Interest expense	(12,294)	(31,724)	(44,018)	(3,962)
Total Non-operating Revenues (Expenses)	10,912	(23,418)	(12,506)	8,479
Income (Loss) before Transfers	(89,239)	(49,342)	(138,581)	(17,812)
Transfers in	0	128,300	128,300	0
Change in Net Assets	(89,239)	78,958	(10,281)	(17,812)
Net Assets - Beginning of year	2,163,815	1,265,195	3,429,010	166,017
Net Assets - End of year	<u>\$2,074,576</u>	<u>\$1,344,153</u>	<u>\$3,418,729</u>	<u>\$148,205</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer	Water	Total	Equipment Fund
Cash Flows from Operating Activities:				
Receipts from customers	\$148,006	\$188,339	\$336,345	\$77,000
Payments to suppliers	(158,605)	(130,968)	(289,573)	(37,974)
Payments to employees	(9,272)	(23,344)	(32,616)	(14,147)
Payments for administrative fees	(24,000)	(18,000)	(42,000)	(6,000)
Net cash provided by operating activities	(43,871)	16,027	(27,844)	18,879
Cash Flows from Noncapital Financing Activities:				
Transfers in	0	128,300	128,300	0
Advance (to) from the other funds	(1,740)	2,842	1,102	6,985
Net cash flows from noncapital financing activities	(1,740)	131,142	129,402	6,985
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital leases	0	0	0	107,976
Proceeds from sales of equipment	0	0	0	11,000
Purchase of capital assets	0	(42,099)	(42,099)	(109,278)
Principal payments on contracts payable	(44,589)	(65,000)	(109,589)	(30,656)
Interest paid	(12,334)	(32,130)	(44,464)	(3,962)
Debt service and connection charges	21,283	6,331	27,614	0
Net cash used for capital and related financing activities	(35,640)	(132,898)	(168,538)	(24,920)
Cash Flows from Investing Activities:				
Interest income	2,913	1,975	4,888	1,441
Net Increase (Decrease) in Cash and Cash Equivalents	(78,338)	16,246	(62,092)	2,385
Cash and Cash Equivalents - Beginning of Year	195,875	75,744	271,619	70,702
Cash and Cash Equivalents - End of Year	<u>\$117,537</u>	<u>\$91,990</u>	<u>\$209,527</u>	<u>\$73,087</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SOUTH ROCKWOOD

*Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2008*

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer	Water	Total	Equipment Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	(\$100,151)	(\$25,924)	(\$126,075)	(\$26,291)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	48,392	46,547	94,939	45,791
Changes in operating assets and liabilities:				
Receivables	1,782	(3,688)	(1,906)	(621)
Accounts payable	6,106	(908)	5,198	0
Net cash provided by operating activities	<u>(\$43,871)</u>	<u>\$16,027</u>	<u>(\$27,844)</u>	<u>\$18,879</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Council form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and culture, public improvements, planning and zoning, cemetery, water and sewer, and general administrative services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of South Rockwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretation issued after November 30, 1989, to its financial statements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 2 Summary of Significant Accounting Policies (Continued) Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are **all considered** to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Riverside Cemetery Fund accounts for the operation and maintenance of the cemetery. Financing is provided by various user charges.

The Capital Projects Fund accounts for monies set aside for various capital projects.

The Village reports the following major proprietary funds:

The Water Supply System Fund accounts for the operation and maintenance of the water supply system, capital additions and retirement of debt. Financing is provided by user charges and contributions by other funds.

The Sewage System Fund accounts for the operation and maintenance of the sewage disposal system, capital additions and retirement of debt. Financing is provided by user charges.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2008

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)
Fund Financial Statements (Concluded)

Additionally, the Village reports the following internal service fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

The Village reports no nonmajor governmental funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 14 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the applicable governmental or business-type activities columns of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 years
Buildings and buildings improvements	15-60 years
Machinery and equipment	3-15 years
Vehicles	5-10 years
Water and sewer lines	50-99 years
Infrastructure-Roads	20 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and personal days under formulas and conditions in the employees' contract. The vacation and personal pay is accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4 Deposits and Investments

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At June 30, 2007, the Village of South Rockwood had invested in such a fund with a local bank. The Village is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank and Trust.

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. As of June 30, 2008, \$1,061,820 of the Village's bank balance of \$1,161,820 was exposed to custodial credit risk deposits because it was uninsured and uncollateralized. The Village does not have a deposit policy for custodial credit risk. The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has not adopted a policy that indicates how the Village will minimize custodial credit risk.

Interest rate risk. The Village's does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 4 Deposits and Investments (Concluded)

Credit risk. State law limits investments in commercial paper to the top two ratings issued by nationally statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Village does not have a formal investment policy that limits the amount the Village may invest in any one issuer as a means of diversifying its investment portfolio.

Note 5 Interfund Receivables and Payables

Balances at June 30, 2008 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Sewer Fund	\$ 61	
Water Fund	4,294	
Equipment Fund	8,575	\$ 6,227
Major Street Fund:		
Equipment Fund	-	2,029
Local Street Fund:		
Equipment Fund	-	1,227
Riverside Cemetery Fund:		
Equipment Fund	-	5,756
Sewer Fund:		
General Fund	-	61
Water Fund	4,782	-
Water Fund:		
General Fund	-	4,294
Sewer Fund	-	4,782
Equipment Fund	-	1,005
Equipment Fund:		
General	6,227	8,575
Major Street Fund	2,029	-
Local Street Fund	1,227	-
Riverside Cemetery Fund	5,756	-
Water Fund	<u>1,005</u>	<u>-</u>
	<u>\$33,956</u>	<u>\$33,956</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 6 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following:

	Transfers Out		
	General Fund	Major Street Fund	Total
<u>Transfers In:</u>			
Local Street Fund	\$ 5,000	\$10,000	\$ 15,000
Water Fund	<u>128,300</u>	<u>-</u>	<u>128,300</u>
	<u>\$133,300</u>	<u>\$10,000</u>	<u>\$143,300</u>

The transfers from the General Fund and Major Street Fund to the Local Street Fund were for local street maintenance. The General Fund budgeted and transferred three mills of property taxes to the Water Fund for operation expenses.

Note 7 Capital Assets

A summary of changes in capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Assets not being depreciated:				
Land	\$39,000	\$74,392	\$0	\$113,392
Capital assets being depreciated:				
Building and building improvements	209,448	45,020	0	254,468
Land improvements	124,440	11,313	0	135,753
Police vehicles	103,767	0	0	103,767
Police equipment	61,427	13,535	0	74,962
Office equipment	23,563	10,895	0	34,458
Roads	81,618	0	0	81,618
Equipment Fund	<u>432,000</u>	<u>109,278</u>	<u>(45,007)</u>	<u>496,271</u>
Total capital assets	1,075,263	264,433	(45,007)	1,294,689
Less accumulated depreciation for:				
Building and building improvements	(78,300)	(6,014)	0	(84,314)
Land improvements	(71,132)	(9,362)	0	(80,494)
Police vehicles	(32,666)	(14,788)	0	(47,454)
Police equipment	(20,227)	(10,261)	0	(30,488)
Office equipment	(15,892)	(5,274)	0	(21,166)
Roads	(11,222)	(4,081)	0	(15,303)
Equipment Fund	<u>(301,569)</u>	<u>(45,791)</u>	<u>45,007</u>	<u>(302,353)</u>
Total accumulated depreciation	<u>(531,008)</u>	<u>(95,571)</u>	<u>45,007</u>	<u>(581,572)</u>
Net capital assets	<u>\$544,255</u>	<u>\$168,862</u>	<u>\$0</u>	<u>\$713,117</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 7 Capital Assets (Continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Business Activities:				
Assets not being depreciated:				
Land	\$3,410	\$0	\$0	\$3,410
Capital assets being depreciated:			0	
Water lines	2,058,219	0	0	2,058,219
Sewer lines	1,972,183	0	0	1,972,183
Mains/meters	719,944	42,099	0	762,043
Sewer treatment plant	1,193,507	0	0	1,193,507
Equipment	38,603	0	0	38,603
Total capital assets	5,985,866	42,099	0	6,027,965
Less accumulated depreciation for:				
Water lines	(145,968)	(33,106)	0	(179,074)
Sewer lines	(466,699)	(27,030)	0	(493,729)
Mains/meters	(222,584)	(11,187)	0	(233,771)
Sewer treatment plant	(214,197)	(21,362)	0	(235,559)
Equipment	(9,976)	(2,254)	0	(12,230)
Total accumulated depreciation	(1,059,424)	(94,939)	0	(1,154,363)
Net capital assets	<u>\$4,926,442</u>	<u>(\$52,840)</u>	<u>\$0</u>	<u>\$4,873,602</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$10,576
Public safety	26,083
Public works	50,456
Recreation and cultural	<u>8,456</u>
Total governmental activities	<u>\$95,571</u>
Business-type activities:	
Sewer Fund	\$48,392
Water Fund	<u>46,547</u>
Total business-type activities	<u>\$94,939</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2008

Note 8 Long-Term Debt

The following is a summary of long-term debt outstanding as of June 30, 2008:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Contract Liability for: South Huron Valley Utility Authority - 1991 SRF Bonds	2.00%	9/26/91	4/1/2011	\$ 162,374	\$ 31,244
Contract Liability for: South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds	2.25%	9/29/98	10/1/2020	195,620	135,072
Contract Liability for: South Huron Valley Utility Authority - 2004 SRF Bonds	2.125%	6/24/04	4/1/2026	203,762	187,076
Contract Liability for: City of Woodhaven - 4% share of South Huron Valley Utility Authority 1991, 1998, and 2004 SRF Bonds	2.00 - 2.25%	3/22/05	4/1/2026	237,367	182,206
Contract Liability for: Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds Village of South Rockwood System No. 2.	2.50%	9/26/02	4/1/2023	1,530,000	<u>1,215,000</u> 1,750,598
Obligations under Capital Leases: Ford Motor Credit Company- Municipal, payable \$2,369 quarterly, beginning January 6, 2006, including interest at 6.70%, due October 06, 2009, secured by the truck.	6.70%	1/06/06	10/06/2009	33,565	13,418

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 8 Long-Term Debt (Continued)

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
John Deere Credit, payable \$3,664 quarterly, beginning September 1, 2006, including interest at 5.75%, due June 1, 2009, secured by the tractor.	5.75%	9/01/06	9/01/2009	\$ 40,694	\$ 14,145
Ford Motor Credit Company-Municipal, payable \$5,240 quarterly, beginning March 24, 2008, including interest at 5.50% due December 24, 2013, secured by the dump truck.	5.5%	3/24/08	12/24/2013	107,076	98,907
Obligations under Capital Leases:					
Ford Motor Credit Police Car Lease, payable \$19,884 on May 30, 2007 and payable \$1,693 quarterly, beginning August 30, 2007, including interest at 6.90% due February 28, 2009, secured by the car.	6.90%	5/30/07	2/28/2009	30,960	4,910
Ford Motor Credit Police Car Lease, payable \$4,410 quarterly, beginning March 16, 2007, including interest at 6.90% due December 16, 2009, secured by the car.	6.90%	3/16/07	12/16/2009	48,253	<u>24,933</u>
					156,313
Compensated absences payable					<u>45,806</u>
					<u>\$1,952,717</u>

Compensated absences payable represents sick and comp time pay accrued as of June 30, 2008.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 8 Long-Term Debt (Continued)

The following is a summary of changes in long-term debt:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Contract Liability for: South Huron Valley Utility Authority -1991 SRF Bonds	\$ 41,277	\$ -	\$ 10,033	\$ 31,244	\$ 10,224
Contract Liability for: South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds	143,929	-	8,857	135,072	9,077
Contract Liability for: South Huron Valley Utility Authority - 2004 SRF Bonds	195,474	-	8,398	187,076	8,619
Contract Liability for: City of Woodhaven 4% share of South Huron Valley Utility Authority 1991, 1998, and 2004 SRF Bonds	199,507	-	17,301	182,206	17,683
Contract Liability for: Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds VSR System No. 2	<u>1,280,000</u>	<u>-</u>	<u>65,000</u>	<u>1,215,000</u>	<u>70,000</u>
	1,860,187	-	109,589	1,750,598	115,603

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 8 Long-Term Debt (Continued)

Obligations under Capital Leases:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Truck Lease	\$ 21,648	\$ -	\$ 8,230	\$ 13,418	\$ 8,795
Tractor Lease	27,502	-	13,357	14,145	14,145
Dump Truck Lease	-	107,976	9,069	98,907	15,845
07 Police Car Lease	11,076	-	6,166	4,910	4,910
06 Police Car Lease	<u>40,189</u>	<u>-</u>	<u>15,256</u>	<u>24,933</u>	<u>16,336</u>
	100,415	107,976	52,078	156,313	60,031
Compensated absences	<u>39,913</u>	<u>5,893</u>	<u>0</u>	<u>45,806</u>	<u>-</u>
	<u>\$2,000,515</u>	<u>\$113,869</u>	<u>\$161,667</u>	<u>\$1,952,717</u>	<u>\$175,634</u>

Contract liability for South Huron Valley Utility Authority - 1991 SRF Bonds original issue of \$12,785,000 with the Village's share set at 1.27%, equaling \$162,374. The Bonds were issued September 26, 1991, by the County of Wayne:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/08	\$ -	\$ 312	\$ 312
04/1/09	10,224	312	10,536
10/1/09	-	210	210
04/1/10	10,414	210	10,624
10/1/10	-	106	106
04/1/11	<u>10,606</u>	<u>106</u>	<u>10,712</u>
	<u>\$31,244</u>	<u>\$1,256</u>	<u>\$32,500</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 8 Long-Term Debt (Continued)

South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds, original issue of \$26,615,000 dated September 29, 1998 with the Village's share set at 0.735%, equaling \$195,620.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/01/08	\$9,077	\$1,520	\$10,597
04/01/09	0	1,417	1,417
10/01/09	9,261	1,417	10,678
04/01/10	0	1,313	1,313
10/01/10	9,482	1,313	10,795
04/01/11	0	1,207	1,207
10/01/11	9,702	1,207	10,909
04/01/12	0	1,097	1,097
10/01/12	9,923	1,097	11,020
04/01/13	0	986	986
10/01/13	10,106	986	11,092
04/01/14	0	872	872
10/01/14	10,327	872	11,199
04/01/15	0	756	756
10/01/15	10,584	756	11,340
04/01/16	0	637	637
10/01/16	10,805	637	11,442
04/01/17	0	515	515
10/01/17	11,062	515	11,577
04/01/18	0	391	391
10/01/18	11,319	391	11,710
04/01/19	0	264	264
10/01/19	11,576	264	11,840
04/01/20	0	133	133
10/01/20	11,848	133	11,981
	<u>\$135,072</u>	<u>\$20,696</u>	<u>\$155,768</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 8 Long-Term Debt (Continued)

South Huron Valley Utility Authority - 2004 SRF Bonds original issue of \$9,220,000 dated June 24, 2004 with the Village's share set at 2.210%, equaling \$203,762.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/01/08	\$0	\$1,988	\$1,988
04/01/09	8,619	1,988	10,607
10/01/09	0	1,896	1,896
04/01/10	8,840	1,896	10,736
10/01/10	0	1,802	1,802
04/01/11	8,950	1,802	10,752
10/01/11	0	1,707	1,707
04/01/12	9,172	1,707	10,879
10/01/12	0	1,610	1,610
04/01/13	9,393	1,610	11,003
10/01/13	0	1,510	1,510
04/01/14	9,614	1,510	11,124
10/01/14	0	1,408	1,408
04/01/15	9,834	1,408	11,242
10/01/15	0	1,303	1,303
04/01/16	10,056	1,303	11,359
10/01/16	0	1,196	1,196
04/01/17	10,166	1,196	11,362
10/01/17	0	1,088	1,088
04/01/18	10,387	1,088	11,475
10/01/18	0	978	978
04/01/19	10,608	978	11,586
10/01/19	0	865	865
04/01/20	10,939	865	11,804
10/01/20	0	749	749
04/01/21	11,160	749	11,909
10/01/21	0	630	630
04/01/22	11,382	630	12,012
10/01/22	0	510	510
04/01/23	11,602	510	12,112
10/01/23	0	386	386
04/01/24	11,823	386	12,209
10/01/24	0	261	261
04/01/25	12,155	261	12,416
10/01/25	0	132	132
04/01/26	12,376	132	12,508
	<u>\$187,076</u>	<u>\$40,038</u>	<u>\$227,114</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 8

Long-Term Debt (Continued)

City of Woodhaven - South Huron Valley Utility Authority - 1991 SRF Bonds, 1998 Sewer System Plant Expansion Bonds, and 2004 SRF Bonds, 4% share of the City of Woodhaven's SHVUA debt share.

Due Date	Principal	Interest	Totals
10/01/08	\$3,066	\$1,945	\$5,011
04/01/09	14,617	1,911	16,528
10/01/09	3,127	1,763	4,890
04/01/10	14,923	1,728	16,651
10/01/10	3,200	1,575	4,775
04/01/11	15,167	1,539	16,706
10/01/11	3,274	1,384	4,658
04/01/12	5,244	1,347	6,591
10/01/12	3,348	1,291	4,639
04/01/13	5,370	1,253	6,623
10/01/13	3,421	1,196	4,617
04/01/14	5,496	1,158	6,654
10/01/14	3,495	1,100	4,595
04/01/15	5,623	1,060	6,683
10/01/15	3,581	1,000	4,581
04/01/16	5,749	960	6,709
10/01/16	3,654	899	4,553
04/01/17	5,812	858	6,670
10/01/17	3,740	796	4,536
04/01/18	5,939	754	6,693
10/01/18	3,826	691	4,517
04/01/19	6,065	648	6,713
10/01/19	3,912	584	4,496
04/01/20	6,254	540	6,794
10/01/20	3,997	473	4,470
04/01/21	6,381	428	6,809
10/01/21	0	360	360
04/01/22	6,507	360	6,867
10/01/22	0	291	291
04/01/23	6,633	291	6,924
10/01/23	0	221	221
04/01/24	6,760	221	6,981
10/01/24	0	149	149
04/01/25	6,949	149	7,098
10/01/25	0	75	75
04/01/26	7,076	75	7,151
	<u>\$182,206</u>	<u>\$31,073</u>	<u>\$213,279</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2008*

Note 8

Long-Term Debt (Continued)

Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds, Village of South Rockwood System #2, original issue of \$1,530,000 dated September 26, 2002.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/01/08	\$0	\$15,187	\$15,187
04/01/09	70,000	15,188	85,188
10/01/09	0	14,312	14,312
04/01/10	70,000	14,313	84,313
10/01/10	0	13,437	13,437
04/01/11	70,000	13,438	83,438
10/01/11	0	12,562	12,562
04/01/12	75,000	12,563	87,563
10/01/12	0	11,625	11,625
04/01/13	75,000	11,625	86,625
10/01/13	0	10,687	10,687
04/01/14	75,000	10,688	85,688
10/01/14	0	9,750	9,750
04/01/15	80,000	9,750	89,750
10/01/15	0	8,750	8,750
04/01/16	80,000	8,750	88,750
10/01/16	0	7,750	7,750
04/01/17	80,000	7,750	87,750
10/01/17	0	6,750	6,750
04/01/18	85,000	6,750	91,750
10/01/18	0	5,688	5,688
04/01/19	85,000	5,688	90,688
10/01/19	0	4,625	4,625
04/01/20	90,000	4,625	94,625
10/01/20	0	3,500	3,500
04/01/21	90,000	3,500	93,500
10/01/21	0	2,375	2,375
04/01/22	95,000	2,375	97,375
10/01/22	0	1,187	1,187
04/01/23	95,000	1,187	96,187
	<u>\$1,215,000</u>	<u>\$256,375</u>	<u>\$1,471,375</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 8 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2008, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 64,293	\$ 7,786	\$ 72,079
2010	25,693	4,566	30,259
2011	17,675	3,288	20,963
2012	18,667	2,295	20,962
2013	19,715	1,247	20,962
2014	<u>10,270</u>	<u>212</u>	<u>10,482</u>
	<u>\$156,313</u>	<u>\$19,394</u>	<u>\$175,707</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 115,603	\$ 41,768	\$ 157,371
2010	116,565	39,058	155,623
2011	117,405	36,325	153,730
2012	102,392	33,574	135,966
2013	103,034	31,097	134,131
2014 - 2018	549,451	117,103	666,554
2019 - 2023	589,009	48,065	637,074
2024 - 2027	<u>57,139</u>	<u>2,448</u>	<u>59,587</u>
	<u>\$1,750,598</u>	<u>\$349,438</u>	<u>\$2,100,036</u>

Note 9 Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by the Public Employees Benefit Services Corporation (PEBSO), as agent for the United States Conference of Mayors (USCM) of Washington, D.C. The Plan, available to all Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the Village of South Rockwood, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

Note 10 Cablevision Franchise Fees

On October 18, 1982, the Village Council decided that all monies received from Wayne Cablevision for franchise fees would be accumulated, along with applicable interest, until it decides how the money will be spent. During the fiscal year ending June 30, 2008, the Village did not spend any of these monies. As of June 30, 2008, \$214,620 has been accumulated.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 11 Property Taxes

Under its charter, the Village may levy up to 20 mills for general operating purposes. Taxes are levied on July 1 each year and are collected by the Village from July 1 to September 14. The property tax revenue is recognized in the period that the tax was levied. The taxable value for both real and personal property as of December 31, 2006 amounted to \$43,056,341 which represents a percentage of the fair market value of the assessed property.

The 2007 tax roll consisted of 13.7361 mills levied for the General Fund. The Village budgeted three of the 13.7361 mills as a contribution to the Water Supply System Fund amounting to \$128,300.

Note 12 Sharing of Administrative and General Expenses

As a method of prorating certain administrative and general expenses to the various funds of the Village, the Village Council adopted, as part of the annual budget, a schedule of payments to be made to the General Fund by the various funds to cover their share of the designated expenses. The following schedule of payments was included in the 2007-08 budget:

Major Street Fund	\$ 7,000
Local Street Fund	2,800
Sewage System Fund	24,000
Water Supply Fund	18,000
Equipment Fund	<u>6,000</u>
Total	<u>\$57,800</u>

Note 13 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 14 Charges for Services

Charges for users and beneficiaries of the Water Supply System and Sewer System Enterprise Funds consist of the following:

Water Supply System:

Water sales - a water charge is billed at rates established by the Village based on water consumption.

Debt service charge - a debt service charge of \$5.00 per quarter is charged to each user to a maximum of \$300. Effective December 31, 2001, the \$300 charge is paid prior to connection to the water system.

Sewer System:

Sewage treatment charge - a sewer treatment charge is billed at rates established by the Village based on water consumption.

Sewer maintenance charge - a sewer maintenance charge of \$6.00 per month is charged to each customer of the system.

Debt service charge - a debt service charge of \$4.00 per month per unit is charged to each user of the system.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2008

Note 15 Drug Forfeiture Funds

During the year ending June 30, 2008, the Village did not receive any drug forfeiture funds, earned \$76 in interest on drug forfeiture funds and expended none of these funds for drug enforcement and education. As of June 30, 2008, the Village has \$3,887 on hand for future related expenditures.

Note 16 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2008, of \$19,969 did not exceed the related costs and administrative overhead.

VILLAGE OF SOUTH ROCKWOOD

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$593,426	\$591,826	\$595,279	\$3,453
Licenses and permits	38,470	35,137	49,036	13,899
State grants:				
State shared revenue	108,000	109,000	107,901	(1,099)
Right of way	4,500	0	4,791	4,791
Liquor license fees	1,000	1,000	1,236	236
	<u>113,500</u>	<u>110,000</u>	<u>113,928</u>	<u>3,928</u>
Charges for services:				
Weed cutting	500	500	652	152
Refuse collection	50,000	49,400	54,332	4,932
Other	200	100	345	245
	<u>50,700</u>	<u>50,000</u>	<u>55,329</u>	<u>5,329</u>
Fines and forfeits	43,000	49,800	60,835	11,035
Interest income	15,000	11,300	13,237	1,937
Other revenue:				
Summer recreation program	25,110	25,110	25,633	523
Administration expenses	57,800	57,800	57,800	0
Other revenue	1,000	3,000	5,433	2,433
	<u>83,910</u>	<u>85,910</u>	<u>88,866</u>	<u>2,956</u>
 Total Revenues	 938,006	 933,973	 976,510	 42,537
Expenditures				
Legislative:				
Council	18,511	13,176	11,164	2,012
General government:				
President	767	767	624	143
Audit fees	14,630	15,030	14,930	100
Legal fees	16,000	13,500	10,370	3,130
Clerk	93,764	79,544	78,150	1,394
Treasurer	23,619	23,129	22,311	818
Election	2,177	2,177	1,548	629
Village hall and grounds	113,428	139,228	131,843	7,385
Promotional	50	50	0	50
	<u>264,435</u>	<u>273,425</u>	<u>259,776</u>	<u>13,649</u>

VILLAGE OF SOUTH ROCKWOOD

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (Concluded)				
Public safety:				
Police department	\$301,728	\$388,648	\$381,894	\$6,754
Building inspection	22,000	10,300	8,619	1,681
Electrical inspection	6,300	1,300	997	303
Plumbing inspection	15,100	7,150	1,952	5,198
Zoning board	1,415	1,415	125	1,290
Planning commission	19,500	12,500	5,595	6,905
	<u>366,043</u>	<u>421,313</u>	<u>399,182</u>	<u>22,131</u>
Public works:				
Department of public works	58,805	54,865	51,316	3,549
Street lighting	17,500	18,000	16,590	1,410
Sanitation	50,742	54,321	53,198	1,123
Engineer	9,000	5,000	3,913	1,087
Recycling	23,160	23,410	21,150	2,260
	<u>159,207</u>	<u>155,596</u>	<u>146,167</u>	<u>9,429</u>
Recreation and cultural:				
Playground	53,361	54,003	43,484	10,519
Youth program	450	700	668	32
Summer recreation program	31,651	31,651	26,168	5,483
	<u>85,462</u>	<u>86,354</u>	<u>70,320</u>	<u>16,034</u>
Other:				
Unemployment compensation	9,000	5,000	3,570	1,430
Insurance and bonds	27,000	35,000	34,175	825
Other	350	350	350	0
Contingencies	272,854	208,615	0	208,615
	<u>309,204</u>	<u>248,965</u>	<u>38,095</u>	<u>210,870</u>
Total Expenditures	<u>1,202,862</u>	<u>1,198,829</u>	<u>924,704</u>	<u>274,125</u>
Excess (Deficiency) of Revenues Over Expenditures	(264,856)	(264,856)	51,806	316,662
Other Financing Sources (Uses)				
Operating transfer out	<u>(133,300)</u>	<u>(133,300)</u>	<u>(133,300)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(133,300)</u>	<u>(133,300)</u>	<u>(133,300)</u>	<u>0</u>
Net Change in Fund Balances	<u>(398,156)</u>	<u>(398,156)</u>	<u>(81,494)</u>	<u>316,662</u>
Fund Balances - Beginning of year	<u>398,156</u>	<u>398,156</u>	<u>394,600</u>	<u>(3,556)</u>
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$313,106</u>	<u>\$313,106</u>

VILLAGE OF SOUTH ROCKWOOD

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants:				
Gas and weight tax	\$70,000	\$70,000	\$71,520	\$1,520
Interest income	7,000	4,100	5,710	1,610
Other revenue	2,400	0	0	0
Total Revenues	79,400	74,100	77,230	3,130
Expenditures				
Public works:				
Construction	5,000	0	0	0
Routine maintenance	188,648	182,521	26,002	156,519
Traffic services	5,519	5,769	3,904	1,865
Winter maintenance	10,310	14,587	13,944	643
Administrative and engineering	7,800	9,100	7,601	1,499
Contingencies	90,589	90,589	0	90,589
Total Expenditures	307,866	302,566	51,451	251,115
Excess (Deficiency) of Revenues Over Expenditures	(228,466)	(228,466)	25,779	254,245
Other Financing Sources (Uses)				
Operating transfer out	(10,000)	(10,000)	(10,000)	0
Net Change in Fund Balances	(238,466)	(238,466)	15,779	254,245
Fund Balances - Beginning of year	238,466	238,466	219,735	(18,731)
Fund Balances - End of year	\$0	\$0	\$235,514	\$235,514

VILLAGE OF SOUTH ROCKWOOD

Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants:				
Gas and weight tax	\$30,000	\$30,000	\$30,199	\$199
Interest income	6,000	6,000	4,836	(1,164)
Total Revenues	36,000	36,000	35,035	(965)
Expenditures				
Public works:				
Routine maintenance	136,399	134,524	76,743	57,781
Traffic services	4,167	4,167	938	3,229
Winter maintenance	5,392	6,942	6,264	678
Administrative and engineering	3,030	3,355	3,320	35
Contingencies	127,577	127,577	0	127,577
Total Expenditures	276,565	276,565	87,265	189,300
Excess (Deficiency) of Revenues Over Expenditures	(240,565)	(240,565)	(52,230)	188,335
Other Financing Sources (Uses)				
Operating transfer in	15,000	15,000	15,000	0
Net Change in Fund Balances	(225,565)	(225,565)	(37,230)	188,335
Fund Balances - Beginning of year	225,565	225,565	230,400	4,835
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$193,170</u>	<u>\$193,170</u>

VILLAGE OF SOUTH ROCKWOOD

Riverside Cemetery Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services:				
Perpetual care fees	\$1,200	\$1,200	\$1,700	\$500
Grave opening/closing fees	9,750	9,750	15,650	5,900
Sale of lots	4,800	4,800	13,350	8,550
Monument footing fees	1,500	1,500	3,525	2,025
	17,250	17,250	34,225	16,975
Interest/investment income	700	700	6,941	6,241
Other revenue	100	0	80	80
Total Revenues	18,050	17,950	41,246	23,296
Expenditures				
General government:				
Sexton	5,204	5,204	5,167	37
Record keeping/administration	1,200	78,892	78,553	339
Grave opening/closing	11,980	13,980	10,899	3,081
Ground upkeep/maintenance	41,027	45,307	26,287	19,020
Contingencies	170,513	86,441	0	86,441
Total Expenditures	229,924	229,824	120,906	108,918
Net Change in Fund Balances	(211,874)	(211,874)	(79,660)	132,214
Fund Balances - Beginning of year	211,874	211,874	208,140	(3,734)
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$128,480</u>	<u>\$128,480</u>

VILLAGE OF SOUTH ROCKWOOD

Capital Projects Fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* *Budget and Actual* *Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest income	\$650	\$650	\$327	(\$323)
Total Revenues	650	650	327	(323)
Expenditures				
Other	21,778	21,778	0	21,778
Total Expenditures	21,778	21,778	0	21,778
Net Change in Fund Balances	(21,128)	(21,128)	327	21,455
Fund Balances - Beginning of year	21,128	21,128	21,199	71
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$21,526</u>	<u>\$21,526</u>



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Village Council
Village of South Rockwood
5676 Carleton-Rockwood Road
South Rockwood, Michigan 48179

In planning and performing our audit of the financial statements of the Village of South Rockwood as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Village Council
Village of South Rockwood

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The following comment is not a significant deficiency or material weakness but is a suggestion to improve your existing accounting and control systems.

Interfund Due to and Due From

During the audit, we noted that the interfund payables and receivables had old outstanding balances. We suggest that these accounts are updated at least quarterly. The Village should issue checks to clear out the payables. Please let us know if our assistance is needed.

We appreciate the cooperation and courtesy extended to us by the officials and employees of the Village during the audit engagement. We are encouraged by the Village's efforts to improve and maintain a sound internal accounting control system and by the efficiency of those people involved. It is our pleasure to have been of service to the Village of South Rockwood.

Very truly yours,

A handwritten signature in dark ink, reading "Cooley Hebe Wohlgemuth + Carlton". The signature is written in a cursive, flowing style.

October 17, 2008